

Town of Lamoine, Maine

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To: School Building Committee, Selectmen, Citizens of Lamoine

From: Stu Marckoon, Treasurer

Re: Property Tax Impact of financing school building project

Date: December 7, 2006

The Lamoine School Committee through member Bob Pulver has asked me to prepare an analysis of the property tax impact of a school building project, which I am happy to present below. There are several variables that must go into such a projection, and many ways to express the impact, and I hope that this presentation is able to give a meaningful analysis of the financial impact.

Amount Borrowed

The first piece of information needed to prepare such an analysis is the cost of debt service for each year. This was obtained from David Bridgham, business manager of the Lamoine School Department/Union 92 Superintendent's Office. Mr. Bridgham prepared an aggregate spreadsheet including the interest free loan for the renovation fund, and a 20-year financing package for the \$2.94 million dollar borrowing package.

	Principal	Total Cost over 20 Years	Length
Renovation Loan	\$456,610.00	\$456,610.00	10 years
Addition Loan	\$2,940,000.00	\$4,474,827.00	20 years
Total Package	\$3,396,610.00	\$4,931,437.02	n/a

The School Committee and building committee have decided on the design package for the addition and will be responsible for its public presentation.

Basic Assumptions

There are a lot of variables when it comes to figuring the impact on property taxes. It would be a common desire to know the impact on one's tax bill should the town approve funding any one of the above package. Because the valuations for each person differ, sometimes significantly, the impact will be expressed as a mill rate calculation (the cost per \$1,000 valuation) and as the average primary home calculation.

The Town of Lamoine has a total taxable valuation as of April 1, 2006 of \$233,724,100. This will be used as the basis for all future valuations as a conservative, worst case estimate of the tax impact. This is a very simple calculation for the mill rate calculation.

The more difficult calculation is the impact on a typical residential property owner. To calculate this we've taken the total taxable value of all properties claiming a homestead exemption. There were 463 such properties as of April 1, 2006 and the total taxable value of these properties (land & building) was \$104,084,200. That makes the mean residential property value for homestead property \$224,804. For these purposes that number will be rounded up to \$225,000. Remember, property value fluctuates from property to property with non-shorefront lots valued significantly lower than shorefront property.

One unknown is what impact any future legislation or statewide tax limit votes might have on the property tax. That is beyond the control of the Town of Lamoine, so the assumptions made here presume no future legislation.

Impact

Based on the above assumptions, I have prepared a [spreadsheet showing the mill rate impact for each of the 20-years](#). That mill rate has been projected onto the average property value for each of the 20-years. The columns have been added up to show the total average residential property cost over the 20-year life of the bond for each of the three options, and then the total divided by 20 to show the average annual cost.

To provide a more readable summary for this memorandum, I present the following:

	Mill Rate Average	Mill Rate Highest	Mill Rate Lowest	Average Cost/Year	Highest Cost/Year	Lowest Cost/Year
Aggregate Package	1.005	1.383	.0005	\$226.06	\$311.13	\$128.49
Year		FY 2009	FY 2008		FY 2009	FY 2008

The present mill rate is 7.0. Assuming all else is equal, this would represent a 14% increase in the mill rate.

Please note there is a significant drop after the renovation loan is paid off in year 10.

This estimate does not include any outside financing from either the Capital Projects fund established by the Board of Selectmen with the gravel sale proceeds nor any contribution from the Jina's Gym effort.

Respectfully submitted,

Stu Marckoon, Treasurer